

# THE CONSERVATION INVESTMENT LANDSCAPE

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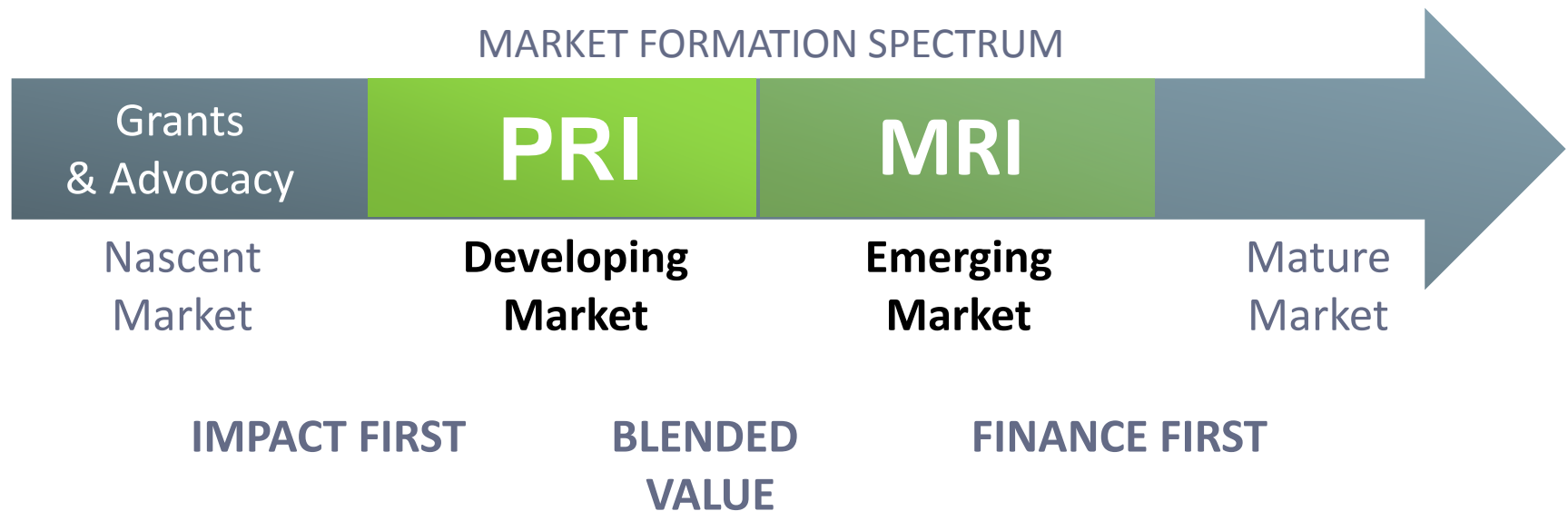
# Goals and Context (I)

- These slides represent work done for two large, US-based foundations seeking to invest in sustainable natural resource investment opportunities aligned with their programmatic objectives
  - ▣ The two foundations were at different stages in investment process: gathering strategic insight vs. a long time Program Related Investment (PRI) investor thinking about adding to its work
  - ▣ Sought to advance programmatic impact by engaging more directly in market-based approaches
  - ▣ Sought to complement grant-making and traditional direct land conservation loans
- Another important objective of the work was to assist other partners and other natural resource funders interested in natural resource-related investments
  - ▣ "Common denominator" approach with some filters based on core sponsors – work can be tailored to a variety of funders' agendas and help situate their own interests relative to market opportunities and the interests of their peers

# Goals and Context (II)

- The work targeted investable opportunities across asset classes and stages of market formation
- This work focused on fund investments rather than direct debt or equity investments
- Financial returns were secondary to strong programmatic alignment in terms of evaluation criteria
- The research had a broad scope; this set of materials does not address all opportunities identified
- Map is illustrative rather than exhaustive - there are more examples and market segments of activity than shown here
- Note: mention of funds or specific investments should not be interpreted as a recommendation or evaluation of suitability as an investment

# Investing Across Capital Types and Market Stages



# Range of Mission/Program Investments

- |  |  |
|--|--|
| <ul style="list-style-type: none"><li>□ <b>Projects</b> - Direct project financing</li></ul>                                   | <ul style="list-style-type: none"><li>□ Most direct targeting and control of impacts</li></ul>   |
| <ul style="list-style-type: none"><li>□ <b>Partners</b> - Capital for/through key allies</li></ul>                             | <ul style="list-style-type: none"><li>□ Leverage expertise and capacity</li><li>□ Support growth and nimbleness</li><li>□ Capital efficient</li></ul>                                  |
| <ul style="list-style-type: none"><li>□ <b>Shaping markets</b> - Creating new markets and models</li></ul>                     | <ul style="list-style-type: none"><li>□ Create new markets and revenue streams</li><li>□ Drive regulatory change/evolution</li></ul>   |
| <ul style="list-style-type: none"><li>□ <b>Leveraging markets</b> - Scale ecologically differentiated market players</li></ul> | <ul style="list-style-type: none"><li>□ Demonstrate/scale models</li><li>□ Learn/partner with strong market players</li><li>□ Leverage endowment capital – “impact for free”</li></ul> |

# Scan Scope: Global Sustainable Resources



- Major environmental conservation funders seeking to drive improved sustainable practices and permanent preservation across:
  - ▣ Agriculture & Sustainable Land Use
  - ▣ Forestry
  - ▣ Carbon (land-based and trading)
  - ▣ Fisheries & Marine Conservation
  - ▣ Wetlands
  - ▣ Species Diversity & Protection
  - ▣ Freshwater
  - ▣ Grasslands & Ranchlands

# Scanning and Pipeline Development

## 1. Understanding the Market

**INVESTORS, FUNDERS,  
KEY LOCAL PLAYERS & ENTERPRISES**

**Database of 900+ natural resource entities**

## 2. Build Relationships and Insights

**FUND MANAGERS  
& STRATEGIC PARTNERS**

**150+ outreach conversations**

**... WITH DEEP  
EXPERTISE**

**50+ investors and partner organizations identified**

## 3. Narrow in on Investable Opportunities

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**Understand investment landscape and potential investment opportunities in key segments:**

- **Land & Freshwater Conservation**
- **Marine Fisheries and Aquaculture**
- **Agriculture**



# LAND & FRESHWATER CONSERVATION

# Market Map of Land and Freshwater Conservation

	Sustainable Forestry	Sustainable Working Lands	Natural Restoration	Preservation	Water Management
Owner	<ul style="list-style-type: none"> <li>Ecotrust Forests</li> <li>Lyme Timber</li> <li>Conservation Forestry</li> <li>The Forestland Group</li> </ul>	<ul style="list-style-type: none"> <li>Beartooth Capital</li> <li>Carrus Land Systems</li> </ul>		<ul style="list-style-type: none"> <li>TNC Conservation Notes</li> </ul>	<ul style="list-style-type: none"> <li>Renewable Resources Group</li> </ul>
Operator	<ul style="list-style-type: none"> <li>New Forests Tropical Asia</li> <li>The Conservation Fund – New Forests Fund</li> </ul>	<ul style="list-style-type: none"> <li>Grasslands LLC</li> </ul>	<ul style="list-style-type: none"> <li>Ecosystem Investment Partners</li> <li>Timbervest</li> <li>EcoProducts</li> <li>Permian</li> </ul>	<ul style="list-style-type: none"> <li>Terra Bella</li> <li>Althelia</li> <li>BioCarbon Fund (Macquarie &amp; Fauna and Flora Intl.)</li> </ul>	<ul style="list-style-type: none"> <li>Summit Water</li> <li>Water Asset Management</li> </ul>
Service Provider	<ul style="list-style-type: none"> <li>New Forests – California Carbon Fund</li> <li>EKO Green Carbon Fund</li> </ul>		<ul style="list-style-type: none"> <li>Freshwater Trust</li> <li>Restore Capital</li> </ul>		
Market Makers				<ul style="list-style-type: none"> <li>Climate Focus</li> <li>IFC Palm Oil</li> </ul>	

# REPRESENTATIVE LAND & FRESHWATER CONSERVATION OPPORTUNITIES

- The Conservation Fund
- EcoTrust Forest Management
- TNC Conservation Notes
- EKO Green Carbon Fund
- Carrus Land Systems
- Beartooth Capital
- Grasslands LLC

# The Conservation Fund: New Forest Fund

THE CONSERVATION FUND

*America's Partner in Conservation*

## Protecting and maintaining ecologically important working forests and communities

- Leading US conservation landowner – protecting more than 7 million acres valued at over \$4.3 billion
- *New Forest Fund*: \$200 million “fund” (program of third-party PRI investments)
- Leading US seller of verified forest carbon offsets
- Projects operated as separate businesses with individual financials, objectives and structures



### **Case Study:**

- Bobcat Ridge, TX
- 7,051 Acres
- Acquired for \$12.3M in 2011



# EcoTrust Forest Management



Ecotrust Forest Management, Inc.

## Sustainable forest manager seeking to prove new revenue streams for conservation impacts

- Geography: *Pacific Northwest*
- Forestry practices mimic natural forests succession
- Revenue Streams: easements, biomass, carbon, water and other ecosystem services
- Completed carbon transaction on 3,275 acres, capturing 40,000+ tons of carbon over five years
- Fundraising for Fund II (\$50-75M – PRI/MRI)



# TNC Conservation Notes

## Providing financing for high-priority conservation transactions

- Support protection of critical landscapes in U.S. and abroad
- *Land Preservation Fund* – internal facility financing large-scale conservation transactions
- Projects have pre-defined disposition strategies (e.g. sales to public agencies, conservation buyers, easements) to repay Notes
- Introduce TNC to impact investors and expand support base

### Terms

- **\$25M Initial Offering**
- **1-, 3- and 5-year terms**
- **1-2% rates**





# EKO Green Carbon Fund

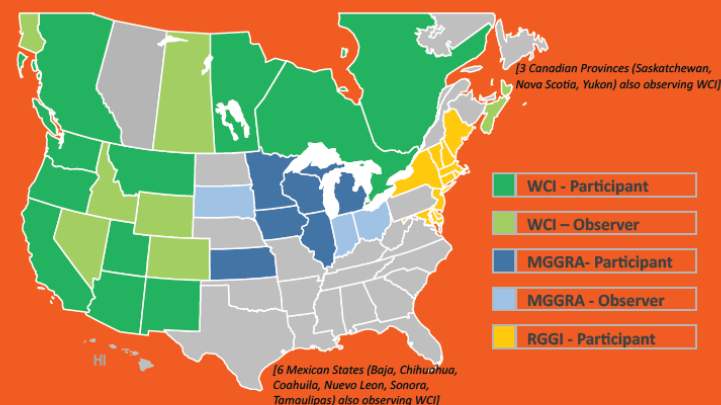
## Building a market and developing standards for US land-based carbon

- *EKO Green Carbon Fund* - forest, agriculture and grasslands carbon projects
- Firm is headed by thought-leaders in ecosystem services and carbon markets
- “Proof of concept” for ag carbon projects while helping develop emerging methodologies and protocols
- Focused on California compliance market - option to transact in voluntary markets

### 2 Ag Projects Underway:

- **Nutrient management project with Delta Institute and National Wildlife Foundation – 37,000 acres**
- **Soil carbon project with The Earth Partners and Applied Ecological Services – 300,000 acres in Pacific Northwest**

## Regional Carbon Markets



# Ranchland Strategies Vary

## Carrus Land Systems

- Acquire ranches, improve operations through sustainable grazing management
- Cash flow from ranch operations; sale of ranch based on higher yields

Improved yields by better management

## Beartooth Capital

- Aggregate fragmented, high ecological value ranches
- Ecosystem service sales, easements, small scale high-end development

Diverse revenue streams, including selective sales

## Grasslands LLC

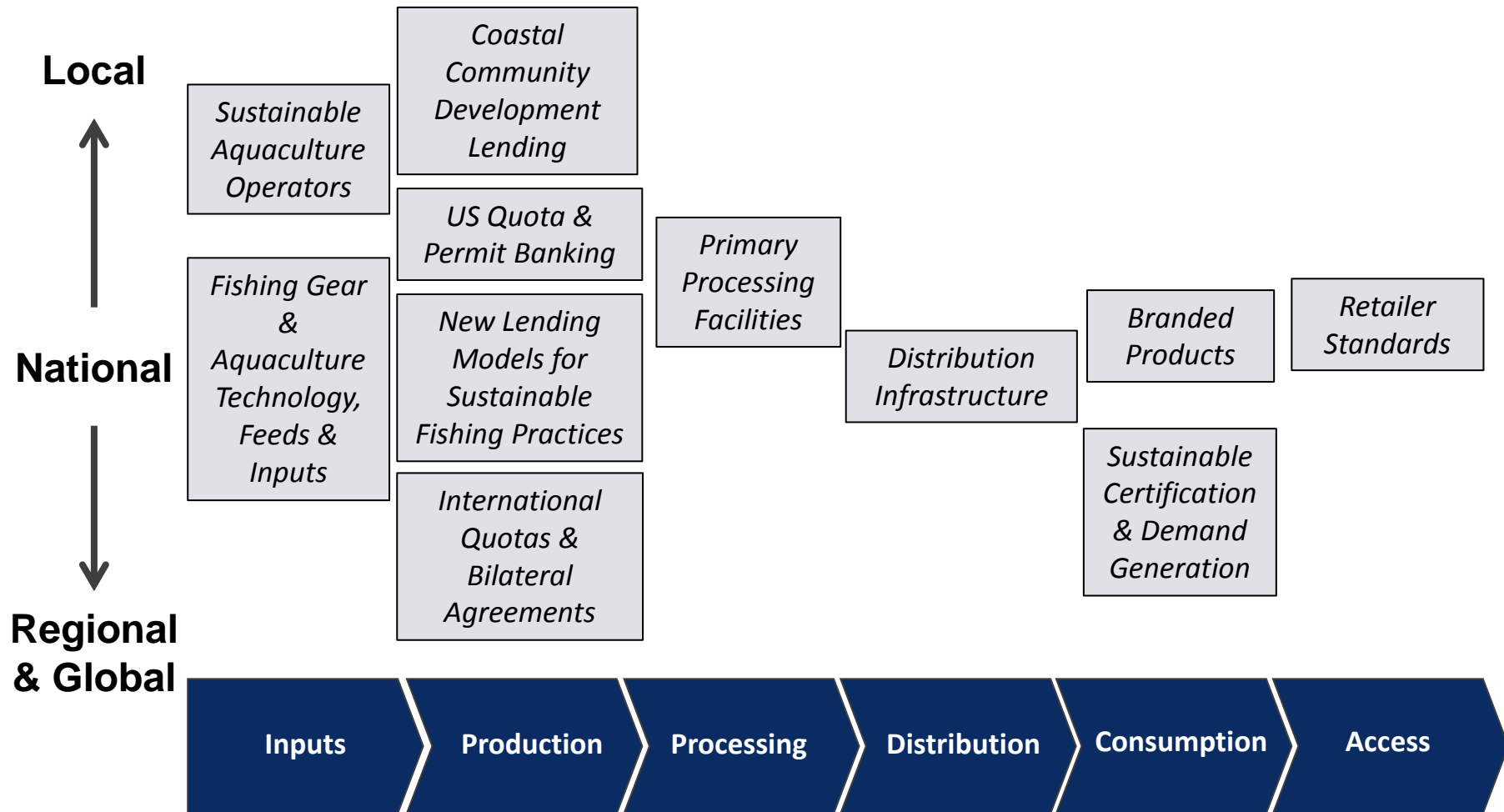
- Restores degraded ranchland through “holistic” mgmt approach (per Savory Institute)
- Cash flow from improved ranch operations

Operates as ranch manager – does not own land



# MARINE FISHERIES AND AQUACULTURE

# Market Map of Seafood Value Chain



# Varying Degrees of Investment-ready Opportunities

## Aquaculture

- Range of market options

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## Enterprise models

- Create/support new vehicles
- Alternative approaches

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## Broader access to capital for sustainable fishing enterprises

- Specific projects
- Directing intermediaries
- Wholesale CDFI?

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## Financing non-traditional assets

- Specific projects
- Convening strategy

# Scaling Promising Fishery Innovations

## Existing Manager

- Leverage existing capacity & deal flow to invest in mission-fit, high quality deals
- Higher transaction cost, possibility of alignment issues, but strong quality and potential to catalyze additional investor dollars

## Incubator / Intermediary

- Leverage grant-funded and nonprofit-sponsored venues for social & environmental entrepreneurship
- Invest alongside/after critical support services in an “under-developed” market (strategically de-risk pipeline)

## Open RFP

- Potential for very specific, funder-driven criteria around environmental sustainability impacts
- Full option-value re what to invest in
- Low transaction cost
- Limited leverage

## REPRESENTATIVE MARINE FISHERIES AND AQUACULTURE OPPORTUNITIES

- Austral Capital
- Oceanis Capital Partners
- Future of Fish
- California Fisheries Fund
- National CDFI for Fisheries Financing

**Currently raising a “seafood fund” dedicated to sustainable, value-added products**

- ❑ Geography: *Global (South American focus)*
- ❑ Venture capital firm focused on identifying globally scalable, high growth entrepreneurs and technologies
- ❑ Seafood Fund 1 - Goal is to link medium-sized companies to communities to help them sell raw materials and scale in commercial arena
- ❑ Investment thesis – aggregate supply of seafood
  - Create synergies across companies in the portfolio – roll-up into a holding company
  - Environmentally friendly companies – market is trending towards value-added products



# Oceanis Capital Partners



## Newly formed “aquatic resources” private equity fund with interest in sustainability

- Geography: *Global*
- Investing in tech & enterprise solutions for next generation fish production: advanced containment systems, alternative additives, species breeding, waste reduction, transport, and logistics
- Prior experience (via Aquacopia) includes investments in sustainable fishmeal replacement, new species, and deep water open ocean aquaculture systems
- Opportunity for targeted, mission-driven vehicle?



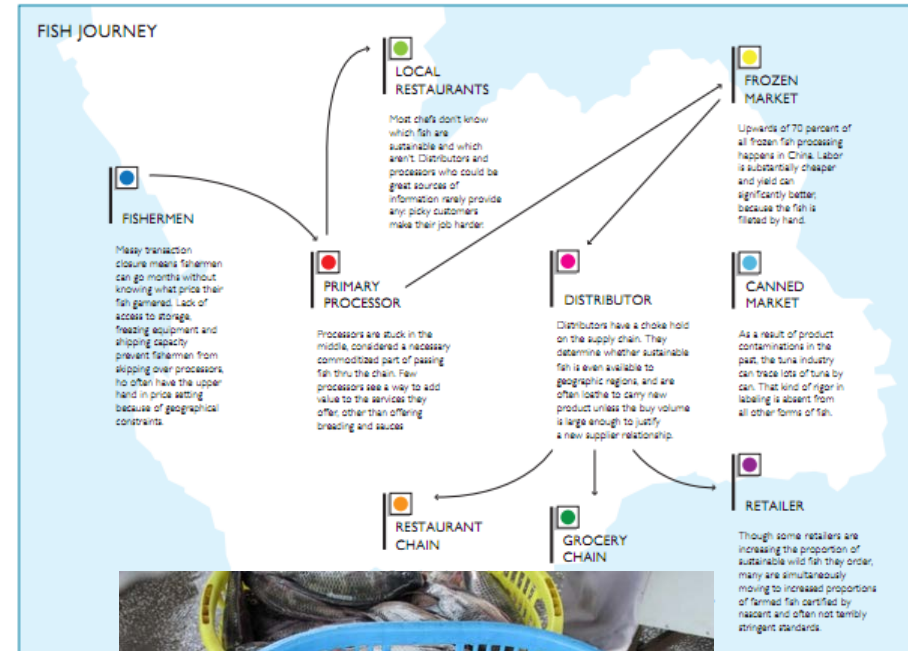


# Future of Fish

FOF

## Innovation Incubator for Sustainable Seafood Enterprises & Technologies

- Geography: *Global (US Focus)*
- Consults across supply chain, helping to develop, fundraise for, and connect entrepreneurs in network
- Projects include traceability technology, new version of co-op model for fishermen and system for improved price visibility in processing chain
- Channel for direct PRI investments?





# California Fisheries Fund

## Reinforcing Sustainable Fishing Policy at the Local Level with Access to Capital

- Geography: *US Pacific Coast*
- \$4M nonprofit revolving loan fund spun out from Environmental Defense Fund
- Financing for: gear purchase or modification, fishing permit or quota purchase, processing capacity and transportation, working capital for business growth
- Reinforces fishery council catch share models by actively tying financing to enforcement of ecosystem protection



# A National CDFI For Fisheries Financing?

## National financing partner and learning platform for coastal fishing communities





- Potential to act as a platform for sharing best practices nationally
- Central R&D to develop new product (e.g. tech/gear vendor financing, quota-as-collateral lending, etc)
- Modeled after the Disability Opportunity Fund (DOF), a niche financier & capacity-builder in facilities for autistic children and adults
- Sufficient market demand for wholesale financing partner? Investor & funder interest in sponsoring?



***Fish CDFI as  
National Resource  
& Funding Source***

# AGRICULTURE

# Market Activity Across Ag Lifecycle

	Inputs	Farming Practices	Farm as Energy Producer	Farm Waste to Value
				
Owners	The Biochar Co.	Farmland LP IFC Palm Oil Carrus	Cool Planet Kimminic	AGreen Encore Redev't EcoVative
Operators	Marrone re:char	Grasslands LLC PureSense	CleanStar Amyris	Revolutions Energy Solutions
Service Providers	Cultivian Ventures Omnivore Capital Full Circle Encendia	DB Ag Tech Climate Corp. Sure Harvest AgSquared	CAREnergy TerViva Harvest Power	The Climate Trust NRB loans One Pacific loans
Market Makers	International Biochar Initiative	EKO RSPO	Roundtable on Sustainable Biofuels	The Climate Trust

## REPRESENTATIVE AGRICULTURE OPPORTUNITIES

- Farmland LP
- CoolPlanet
- CleanStar Ventures
- Full Circle Biochar
- DB Climate Change Advisors
- The Climate Trust
- RSB Services Foundation

# Farmland LP

Farmland LP



## Sustainable farmland management, with focus on organic production

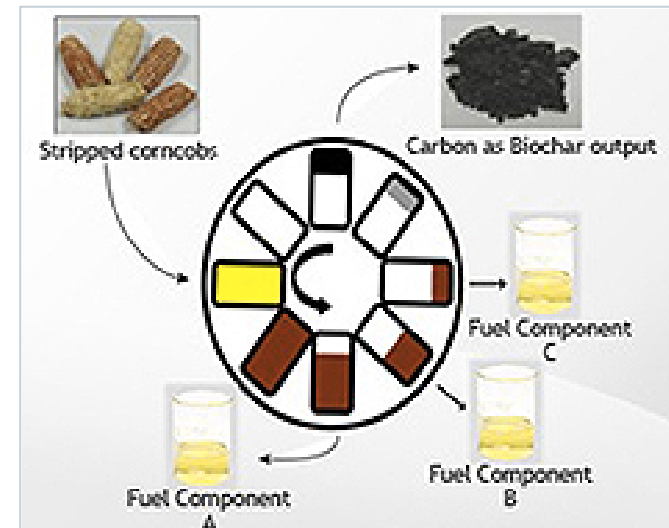
- Converting conventional farmland to sustainable use
- Protect and enhance soil, water, and biological resources
- Focus on ecological management while maximizing yield
- Geography: West Coast (urban-linked rural areas)
- Owns 154 acres in OR and 1,114 acres in Bay Area – fund seeking capital for other acquisitions



***At its target size of \$100M, the Fund could convert 20,000-30,000 acres of conventional farmland to sustainable management***

## Biofuels manufacturing at farm scale

- Facilities produce negative-carbon footprint fuels based on plant photosynthesis that absorbs carbon
- Proprietary technology extracts hydrocarbons from biomass, leaving behind excess carbon as a high purity solid
- Raw biomass inputs: woodchips, crop residue, algae, etc.
- Systems run from modular shipping containers





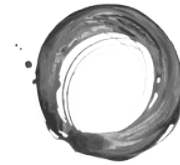
## Developing world sustainable agroforestry, ethanol cookstoves and supporting value chain

- Work with farmers to transition from slash-and-burn agriculture to sustainable agroforestry
- Surplus cassava used to produce ethanol for efficient, low-carbon cookstoves
- Cookstoves generate Certified Emissions Reduction (CER) credits
- Invest in retailer network to sell ethanol and cookstoves
- Geographies: Mozambique, Brazil, Australia





# Full Circle Biochar



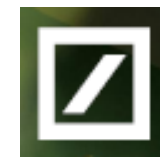
Full Circle Biochar

## Commercializing biochar for large-scale agriculture markets

- “Platform” approach – each platform has distinct combination of feedstock, pyrolysis technology, biochar products and energy outputs
- Partnership with Cornell University
- Seek to partner with ag value chain players and lenders to enter large-scale ag markets

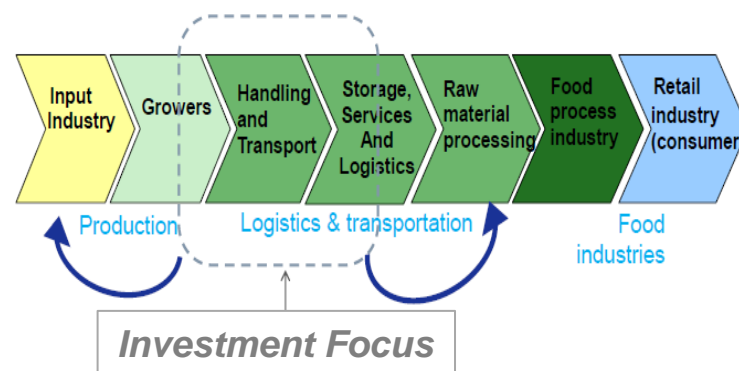


# DB Climate Change Advisors – Sustainable Agri-business Strategy



## Sustainable agri-business, investing throughout the value chain

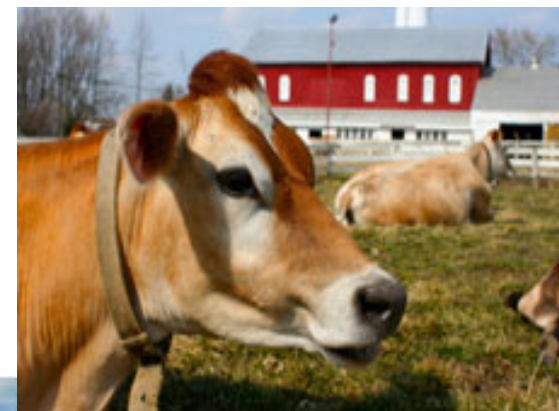
- Invests at enterprise-level in farm management systems, distribution, and processing & handling
- Sustainable practices in water use, chemicals reduction and energy efficiency
- Improve food system efficiency and enterprise-level low-carbon production, processing and distribution
- Focus on technology-driven improvements at commercialized scale



# The Climate Trust - Biodigester Financing Fund

## Financing methane capture from farms, for emissions reduction and renewable energy generation

- The Climate Trust – nonprofit working on GHG offset projects and policy initiatives
- Launching Biodigester Fund to finance dairy methane digester projects in U.S.
- Methane digesters provide:
  - ▣ Direct decreases in GHG emissions
  - ▣ On-farm renewable energy production
  - ▣ Watershed protection
- Of ~100,000 dairy farms in U.S., less than 200 have biodigester systems in operation



# RSB Services Foundation



## Setting protocol and standards to for sustainable for biofuels

- Roundtable on Sustainable Biofuels (RSB) launching RSB Services Foundation – official global certification body for RSB standards
- RSB standards developed over 5 years by 130 member org's
- Sustainable production and processing of biofuels
- Targeting certification of 15% of global biofuels market

